



ANNUAL STATEMENT
For the Year Ending December 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
Health Plan of Michigan, Inc.

NAIC Group Code	0000	0000	NAIC Company Code	52563	Employer's ID Number	38-3253977
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	12/31/1995		Commenced Business	12/31/1995		
Statutory Home Office	777 Woodward Ave. Suite 600		Detroit, MI 48226			
	(Street and Number)		(City or Town, State and Zip Code)			
Main Administrative Office	777 Woodward Ave. Suite 600					
	(Street and Number)					
	Detroit, MI 48226		(313)324-3700			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Mail Address	777 Woodward Ave. Suite 600		Detroit, MI 48226			
	(Street and Number or P.O. Box)		(City or Town, State and Zip Code)			
Primary Location of Books and Records	Same					
	(Street and Number)					
	Same,		(313)324-3700			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Internet Website Address	www.hpnich.com					
Statutory Statement Contact	Jon B. Cotton		(313)324-3705			
	(Name)		(Area Code)(Telephone Number)(Extension)			
	jcotton@hpmich.com		(313)202-0075			
	(E-Mail Address)		(Fax Number)			

OFFICERS

Name	Title
David B. Cotton M.D.	President/CEO
Thomas Lauzon	Secretary/CIO
Janice Torosian	Treasurer/CFO

OTHERS

DIRECTORS OR TRUSTEES

George Ellis
Thomas Lauzon
Kimberly Harper #

State of Michigan
County of Wayne ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
David B. Cotton, M.D.	Thomas Lauzon	Janice Torosian
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Secretary	Treasurer
(Title)	(Title)	(Title)
Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[]
day of , 2008	b. If no,	
	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	
(Notary Public Signature)		

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	13,787,197		13,787,197	12,174,072
2.	Stocks (Schedule D)				
2.1	Preferred stocks	545,915		545,915	620,343
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....39,457,219 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....10,000,000 Schedule DA)	49,457,219		49,457,219	32,380,435
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets (Schedule BA)	7,106,802		7,106,802	7,854,291
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	70,897,133		70,897,133	53,029,141
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	109,650		109,650	117,165
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset				
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....0)				
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates				
22.	Health care (\$.....2,659,435) and other amounts receivable	2,659,435		2,659,435	991,935
23.	Aggregate write-ins for other than invested assets	826,940	813,388	13,552	13,552
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	74,493,158	813,388	73,679,770	54,151,793
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	74,493,158	813,388	73,679,770	54,151,793
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Deposits	13,552		13,552	13,552
2302.	Acquired Membership Value	645,090	645,090		
2303.	Long Term Investment Fair Value Adjustment	168,298	168,298		
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	826,940	813,388	13,552	13,552

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)	30,684,245		30,684,245	17,451,819
2.	Accrued medical incentive pool and bonus amounts	1,629,743		1,629,743	837,200
3.	Unpaid claims adjustment expenses	577,000		577,000	436,000
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	1,971,160		1,971,160	3,760,252
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))	721,601		721,601	500,000
10.2	Net deferred tax liability	828,000		828,000	723,000
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates				
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans				
21.	Aggregate write-ins for other liabilities (including \$.....0 current)				
22.	Total liabilities (Lines 1 to 21)	36,411,749		36,411,749	23,708,271
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	44,700	44,700
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	251,363	251,363
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	36,971,958	30,147,459
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	37,268,021	30,443,522
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	73,679,770	54,151,793
DETAILS OF WRITE-INS					
2101.	.....			
2102.	.....			
2103.	.....			
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)				
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,545,122	1,289,976
2.	Net premium income (including \$.....0 non-health premium income)	X X X	330,156,070	217,478,244
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	(19,331,819)	(12,752,429)
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	310,824,251	204,725,815
Hospital and Medical:				
9.	Hospital/medical benefits		205,202,968	111,691,539
10.	Other professional services		1,500,091	1,392,867
11.	Outside referrals		12,848,676	12,181,076
12.	Emergency room and out-of-area		6,915,655	6,133,664
13.	Prescription drugs		43,013,016	34,090,247
14.	Aggregate write-ins for other hospital and medical		142,615	1,395,306
15.	Incentive pool, withhold adjustments and bonus amounts		4,522,507	3,605,715
16.	Subtotal (Lines 9 to 15)		274,145,528	170,490,414
Less:				
17.	Net reinsurance recoveries		407,547	137,333
18.	Total hospital and medical (Lines 16 minus 17)		273,737,981	170,353,081
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....0 cost containment expenses		1,088,961	381,623
21.	General administrative expenses		24,689,952	17,786,161
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		299,516,894	188,520,865
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	11,307,357	16,204,950
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,146,457	2,132,366
26.	Net realized capital gains (losses) less capital gains tax of \$.....7,152		2,920,330	(39,093)
27.	Net investment gains (losses) (Lines 25 plus 26)		5,066,787	2,093,273
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses			(6)
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	16,374,144	18,298,217
31.	Federal and foreign income taxes incurred	X X X	3,771,601	6,300,445
32.	Net income (loss) (Lines 30 minus 31)	X X X	12,602,543	11,997,772
DETAILS OF WRITE-INS				
0601.	Quality Assurance Fee	X X X	(19,331,819)	(12,752,429)
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	(19,331,819)	(12,752,429)
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Hearing/Speech devices		142,615	122,624
1402.	MI Primary Care Association			1,272,682
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		142,615	1,395,306
2901.	Sale of Furniture			(6)
2902.	Rental Income			
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			(6)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	30,443,522	30,080,384
34.	Net income or (loss) from Line 32	12,602,543	11,997,772
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....140,000 ..	268,701	883,679
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	35,000	(359,000)
39.	Change in nonadmitted assets	(46,742)	625,000
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders	(6,000,000)	(11,250,000)
47.	Aggregate write-ins for gains or (losses) in surplus	(35,000)	(1,534,314)
48.	Net change in capital and surplus (Lines 34 to 47)	6,824,502	363,137
49.	Capital and surplus end of reporting year (Line 33 plus 48)	37,268,024	30,443,521
DETAILS OF WRITE-INS			
4701.	Property Dividend to Stockholders	(35,000)	(1,534,314)
4702.	0		
4703.	0		
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	(35,000)	(1,534,314)

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	310,824,251	204,725,815
2.	Net investment income	2,153,972	2,461,342
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	312,978,223	207,187,157
5.	Benefit and loss related payments	259,713,012	170,229,037
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	27,427,005	16,963,719
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	3,557,152	6,215,445
10.	Total (Lines 5 through 9)	290,697,169	193,408,201
11.	Net cash from operations (Line 4 minus 10)	22,281,054	13,778,956
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	2,876,113	2,263,681
12.2	Stocks	196,399	9,009
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets	3,735,500	90,000
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds	428,750	0
12.8	Total investment proceeds (Lines 12.1 to 12.7)	7,236,762	2,362,690
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	4,395,608	5,754,616
13.2	Stocks	184,454	180,129
13.3	Mortgage loans		
13.4	Real estate		15,400
13.5	Other invested assets	265,000	103,521
13.6	Miscellaneous applications		0
13.7	Total investments acquired (Lines 13.1 to 13.6)	4,845,062	6,053,667
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	2,391,700	(3,690,977)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders	6,000,000	11,250,000
16.6	Other cash provided (applied)	(1,595,971)	166,285
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(7,595,971)	(11,083,715)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	17,076,783	(995,736)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	32,380,435	33,376,172
19.2	End of year (Line 18 plus Line 19.1)	49,457,219	32,380,435

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

		1	2	3	4	5	6	7	8	9	10
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1.	Net premium income	330,156,070							330,156,070		
2.	Change in unearned premium reserves and reserve for rate credit										
3.	Fee-for-service (net of \$.....0 medical expenses)										X X X
4.	Risk revenue										X X X
5.	Aggregate write-ins for other health care related revenues	(19,331,819)							(19,331,819)		X X X
6.	Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7.	Total revenues (Lines 1 to 6)	310,824,251							310,824,251		
8.	Hospital/medical benefits	205,202,968							205,202,968		X X X
9.	Other professional services	1,500,091							1,500,091		X X X
10.	Outside referrals	12,848,676							12,848,676		X X X
11.	Emergency room and out-of-area	6,915,655							6,915,655		X X X
12.	Prescription drugs	43,013,016							43,013,016		X X X
13.	Aggregate write-ins for other hospital and medical	142,615							142,615		X X X
14.	Incentive pool, withhold adjustments and bonus amounts	4,522,507							4,522,507		X X X
15.	Subtotal (Lines 8 to 14)	274,145,528							274,145,528		X X X
16.	Net reinsurance recoveries	407,547							407,547		X X X
17.	Total hospital and medical (Lines 15 minus 16)	273,737,981							273,737,981		X X X
18.	Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19.	Claims adjustment expenses including \$.....0 cost containment expenses	1,088,961							1,088,961		
20.	General administrative expenses	24,689,952							24,689,952		
21.	Increase in reserves for accident and health contracts										X X X
22.	Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23.	Total underwriting deductions (Lines 17 to 22)	299,516,894							299,516,894		
24.	Net underwriting gain or (loss) (Line 7 minus Line 23)	11,307,357							11,307,357		
DETAILS OF WRITE-INS											
0501.	Quality Assurance Program	(19,331,819)							(19,331,819)		X X X
0502.	.....										X X X
0503.	.....										X X X
0598.	Summary of remaining write-ins for Line 5 from overflow page										X X X
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	(19,331,819)							(19,331,819)		X X X
0601.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698.	Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.	Hearing/Speech Devices	142,615							142,615		X X X
1302.	MI Primary Care Association										X X X
1303.	.....										X X X
1398.	Summary of remaining write-ins for Line 13 from overflow page										X X X
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	142,615							142,615		X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid	330,773,287	.....	617,217	330,156,070
8.	Other health .....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 through 8)	330,773,287	.....	617,217	330,156,070
10.	Life .....	.....	.....	.....	.....
11.	Property/casualty .....	.....	.....	.....	.....
12.	TOTALS (Lines 9 to 11)	330,773,287	.....	617,217	330,156,070

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	256,880,467							256,880,467		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	407,547							407,547		
1.4 Net	256,472,920							256,472,920		
2. Paid medical incentive pools and bonuses	3,729,964							3,729,964		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	30,684,245							30,684,245		
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	30,684,245							30,684,245		
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	1,629,743							1,629,743		
6. Net healthcare receivables (a)	489,872							489,872		
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	17,451,819							17,451,819		
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	17,451,819							17,451,819		
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	837,200							837,200		
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	269,623,021							269,623,021		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	407,547							407,547		
12.4 Net	269,215,474							269,215,474		
13. Incurred medical incentive pools and bonuses	4,522,507							4,522,507		

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct 30,684,245	30,684,245							30,684,245		
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net 30,684,245	30,684,245							30,684,245		
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct 30,684,245	30,684,245							30,684,245		
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net 30,684,245	30,684,245							30,684,245		

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	18,101,024	238,371,896	62,000	30,622,245	18,163,024	17,451,819
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8)	18,101,024	238,371,896	62,000	30,622,245	18,163,024	17,451,819
10.	Healthcare receivables (a) .....	.....	489,872	.....	.....	.....	.....
11.	Other non-health .....	.....	.....	.....	.....	.....	.....
12.	Medical incentive pool and bonus amounts	691,402	3,038,562	.....	1,629,743	691,402	837,200
13.	TOTALS (Lines 9 - 10 + 11 + 12)	18,792,426	240,920,586	62,000	32,251,988	18,854,426	18,289,019

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	6,660	6,719	6,711	6,711	6,711
2.	2003	63,727	76,774	76,834	76,823	76,823
3.	2004	X X X	103,037	116,291	116,373	116,373
4.	2005	X X X	X X X	130,940	146,117	146,212
5.	2006	X X X	X X X	X X X	154,981	173,678
6.	2007	X X X	X X X	X X X	X X X	240,921

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	6,660	6,719	6,711	6,711	6,711
2.	2003	63,727	76,774	76,834	76,823	76,823
3.	2004	X X X	103,037	116,291	116,373	116,373
4.	2005	X X X	X X X	149,037	146,172	146,212
5.	2006	X X X	X X X	X X X	173,215	173,740
6.	2007	X X X	X X X	X X X	X X X	273,173

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2003	97,919	76,823	755	0.983	77,578	79.227			77,578	79.227
2.	2004	143,142	116,373	842	0.724	117,215	81.887			117,215	81.887
3.	2005	180,127	146,212	810	0.554	147,022	81.622			147,022	81.622
4.	2006	204,725	173,678	436	0.251	174,114	85.048	62	1	174,177	85.078
5.	2007	310,824	240,921	826	0.343	241,747	77.776	32,252	576	274,575	88.338

12 Total

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare	NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	6,660	6,719	6,711	6,711	6,711
2.	2003	63,727	76,774	76,834	76,823	76,823
3.	2004	X X X	103,037	116,291	116,373	116,373
4.	2005	X X X	X X X	130,940	146,117	146,212
5.	2006	X X X	X X X	X X X	154,981	173,678
6.	2007	X X X	X X X	X X X	X X X	240,921

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	6,660	6,719	6,711	6,711	6,711
2.	2003	63,727	76,774	76,834	76,823	76,823
3.	2004	X X X	103,037	116,291	116,373	116,373
4.	2005	X X X	X X X	149,037	146,172	146,212
5.	2006	X X X	X X X	X X X	173,215	173,740
6.	2007	X X X	X X X	X X X	X X X	273,173

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2003	97,919	76,823	755	0.983	77,578	79.227			77,578	79.227
2.	2004	143,142	116,373	842	0.724	117,215	81.887			117,215	81.887
3.	2005	180,127	146,212	810	0.554	147,022	81.622			147,022	81.622
4.	2006	204,725	173,678	436	0.251	174,114	85.048	62	1	174,177	85.078
5.	2007	310,824	240,921	826	0.343	241,747	77.776	32,252	576	274,575	88.338

12 Title XIX-Medicaid

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building)		19,849	593,332		613,181
2.	Salaries, wages and other benefits		718,376	15,021,450		15,739,827
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed)					
4.	Legal fees and expenses			249,043		249,043
5.	Certifications and accreditation fees					
6.	Auditing, actuarial and other consulting services			1,141,586	65,212	1,206,798
7.	Traveling expenses		152	414,557		414,709
8.	Marketing and advertising			188,898		188,898
9.	Postage, express and telephone		36,171	872,743		908,914
10.	Printing and office supplies		9,121	1,079,787		1,088,908
11.	Occupancy, depreciation and amortization			224,470	10,269	234,739
12.	Equipment			275,922		275,922
13.	Cost or depreciation of EDP equipment and software			624,910		624,910
14.	Outsourced services including EDP, claims, and other services		303,692	2,026,283		2,329,975
15.	Boards, bureaus and association fees		1,600	196,960		198,560
16.	Insurance, except on real estate			803		803
17.	Collection and bank service charges			60,329		60,329
18.	Group service and administration fees					
19.	Reimbursements by uninsured plans					
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes			42,062		42,062
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes			668,484		668,484
23.2	State premium taxes					
23.3	Regulator authority licenses and fees			40,724		40,724
23.4	Payroll taxes			828,410		828,410
23.5	Other (excluding federal income and real estate taxes)					
24.	Investment expenses not included elsewhere					
25.	Aggregate write-ins for expenses			205,157		205,157
26.	Total expenses incurred (Lines 1 to 25)		1,088,961	24,755,911	75,481	(a) 25,920,353
27.	Less expenses unpaid December 31, current year			1,971,160		1,971,160
28.	Add expenses unpaid December 31, prior year		436,000	3,760,252		4,196,252
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)		1,524,961	26,545,003	75,481	28,145,445
DETAILS OF WRITE-INS						
2501.	IRS Penalty					
2502.	Charitable Giving/Activities			205,157		205,157
2503.	.....				
2598.	Summary of remaining write-ins for Line 25 from overflow page					
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)			205,157		205,157

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 202,765	..... 199,529
1.1	Bonds exempt from U.S. tax	(a)..... 271,393	..... 270,710
1.2	Other bonds (unaffiliated)	(a)..... 87,892	..... 84,717
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b)..... 43,362	..... 43,362
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c).....	.....
4.	Real estate	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e)..... 1,597,556	..... 1,597,556
7.	Derivative instruments	(f).....	.....
8.	Other invested assets .....	..... 26,064	..... 26,064
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	..... 2,229,032	..... 2,221,938
11.	Investment expenses .....	.....	(g)..... 75,481
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g).....
13.	Interest expense .....	.....	(h).....
14.	Depreciation on real estate and other invested assets .....	.....	(i).....
15.	Aggregate write-ins for deductions from investment income .....	.....	.....
16.	Total deductions (Lines 11 through 15) .....	.....	..... 75,481
17.	Net Investment income (Line 10 minus Line 16) .....	.....	..... 2,146,457
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases. (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases. (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases. (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances. (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases. (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium. (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts. (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes. (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	..... 112,972	.....	..... 112,972	..... 85,024	.....
1.1	Bonds exempt from U.S. tax .....	..... 228	.....	..... 228	..... 16,858	.....
1.2	Other bonds (unaffiliated) .....	..... 86,534	.....	..... 86,534	..... 6,018	.....
1.3	Bonds of affiliates .....	.....	.....	.....	.....	.....
2.1	Preferred stocks (unaffiliated) .....	..... (22,056)	.....	..... (22,056)	..... (106,558)	.....
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....	.....	.....	.....
3.	Mortgage loans .....	.....	.....	.....	.....	.....
4.	Real estate .....	.....	.....	.....	.....	.....
5.	Contract loans .....	.....	.....	.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....	.....	.....
7.	Derivative instruments .....	.....	.....	.....	.....	.....
8.	Other invested assets .....	..... 2,735,500	.....	..... 2,735,500	..... 407,358	.....
9.	Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....	.....
10.	Total capital gains (losses) .....	..... 2,913,178	.....	..... 2,913,178	..... 408,700	.....
DETAILS OF WRITE-INS						
0901.	.....	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....	.....

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties occupied for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection			
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3	Accrued retrospective premiums			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers			
14.2	Funds held by or deposited with reinsured companies			
14.3	Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset			
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software			
19.	Furniture and equipment, including health care delivery assets			
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates			
22.	Health care and other amounts receivable			
23.	Aggregate write-ins for other than invested assets	813,388	766,646	(46,742)
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	813,388	766,646	(46,742)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	813,388	766,646	(46,742)
DETAILS OF WRITE-INS				
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	Deposits			
2302.	Acquired Membership Value	645,090	745,770	100,680
2303.	Long Term Investment Fair Value Adjustment	168,298	20,020	(148,278)
2398.	Summary of remaining write-ins for Line 23 from overflow page		856	856
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	813,388	766,646	(46,742)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations	119,149	125,602	129,334	130,550	133,250	1,545,122
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service						
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	119,149	125,602	129,334	130,550	133,250	1,545,122
DETAILS OF WRITE-INS							
0601.	.....					
0602.	.....					
0603.	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statement

HEALTH PLAN OF MICHIGAN, INC.

NAIC Company Code 52563

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Health Plan of Michigan, Inc. (the “Company”) operates as a state-licensed health maintenance organization (HMO). Health Plan of Michigan, Inc. provides medical services to persons primarily in southern Michigan who subscribe as recipients of state health benefits (Medicaid benefits).

Physician and Hospital Contracts - The Company contracts directly with physician/physician groups and hospitals for the provision of medical care and compensates the providers on either a capitation or fee for service basis. The Company has a risk sharing agreement with the primary care physicians, and a portion of the capitation payments may be retained for settlement of risk-sharing agreements.

Employer Management Agreement – The Company used the services of a professional employment organization (PEO) to provide professional employer services, including payroll processing, payroll tax filing, and employee benefit administration. Under this agreement, there existed a co-employment relationship, in which both the Company and the PEO have an employment relationship with the worksite employees.

The PEO sponsors a 401(k) plan. The plan allows the Company to make discretionary matching contributions into the plan. For the year ended December 31, 2006, the Company contributed \$46,138 into the plan.

Effective June 1, 2006 the employees and all payroll related operations were transferred to the third party administrator, Caidan Management Company, who also uses the services of the PEO.

Funds Maintained Under Statutory Requirements - The Company maintains funds under statutory or contractual requirements to protect members and health care providers in the event the Company is unable to meet its contractual obligations. These funds can be issued only at the direction of the applicable insurance commissioner or other regulatory agency in accordance with statutory and contractual provisions. The Company can utilize interest earned on these funds. At December 31, 2007 and 2006, \$1,174,454 and \$1,121,339, respectively, were held in cash to fulfill these requirements.

Statutory Basis of Accounting - The financial statements have been prepared in accordance with NAIC *Accounting Practices and Procedures* manual and the statutory accounting principles as prescribed by the Michigan Office of Financial and Insurance Services. Statutory accounting principles differ from generally accepted accounting principles (“GAAP”) in their definition of assets and liabilities. Specifically, certain assets (such as intangible assets, certain receivables, prepaid expenses, and software) are excluded from the statutory-basis balance sheet. GAAP net assets exceed statutory net assets by approximately \$803,508 and \$766,646 at December 31, 2007 and 2006, respectively. The Company adopted the NAIC’s Codification of Statutory Accounting Principles on January 1, 2003 at the direction of the Michigan Office of Financial and Insurance Services. There are no significant differences between statutory accounting principles prescribed by the NAIC and the State of Michigan accounting requirements that are applicable to the Company, except for the prescribed practice for SSAP 84 Certain Health Care Receivables and Receivables Under Government Insured Plans. The impact on statutory surplus of the difference in accounting principles prescribed by the NAIC and the State of Michigan, due to the prescribed practice referenced above is \$0 at December 31, 2007 and 2006.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Certificates of deposit in banks or similar financial institutions with maturity dates of one year or less from the acquisition date are also considered cash under statutory accounting principles, and are reported at fair market value.

Notes to Financial Statement

Accounts Receivable - Management believes all receivables are fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Bonds – bonds are stated at amortized cost using the interest method.

Common Stocks – The Company does not have investments in common stock.

Preferred stocks – preferred stocks are stated at amortized cost.

Mortgage Loans – The Company does not have mortgage loans.

Loan Backed Securities – Loan backed securities are stated at cost; the prospective adjustment method is used to value securities.

Investments in Subsidiaries, Controlled and Affiliated Companies – The Company does not have investments in Subsidiaries, Controlled and Affiliated Companies.

Investments in Joint Ventures, Partnerships and Limited Liability Companies – investments in limited partnerships are accounted for using the equity method.

Derivatives – The Company does not have investments in derivatives.

Premium Deficiency Calculation – The Company has not calculated a premium deficiency reserve.

Capitalization Policy – The Company has not modified its capitalization policy from the prior period.

Pharmaceutical Rebates – The Company has no pharmaceutical rebates receivable.

Real Estate Investments

This Note is not applicable to the Company.

Property and Equipment - Fixed assets are recorded at cost. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for property and equipment totaled \$0 and \$86,202 for the years ended December 31, 2007 and 2006, respectively.

Income Taxes - The Company accounts for income taxes as prescribed by SSAP Number 9. A current liability or asset is recognized based on amounts currently payable or refundable on the current year tax return. Deferred liabilities or assets are reported for the estimated future tax effects of temporary differences between statutory and tax accounting methods.

Revenue Recognition - Medicaid capitation premiums are recognized in the period members are entitled to related health care services.

Recognition of Health Care Service Costs - Health care service costs and the related liabilities for claims payable are recorded when medical services are authorized, as well as when services are provided without authorization to the extent such services are expected to be ultimately authorized. Claims payable includes an actuarially determined estimate of the ultimate cost of settling claims.

Use of Estimates - The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain significant estimates exist relating to claims payable. It is at least reasonably possible that these estimates will be materially revised in the near term.

Notes to Financial Statement

Note 2 - Accounting Changes and Corrections of Errors

This Note is not applicable to the Company.

Note 3 - Business Combinations and Goodwill

This Note is not applicable to the Company.

Note 4 - Discontinued Operations

This Note is not applicable to the Company.

Note 5 - Investments

This Note is not applicable to the Company.

Note 6 - Joint Ventures, Partnerships, and Limited Liability Companies

The Company has no investment in joint ventures, partnerships, or limited liability companies that exceed 10% of the admitted assets of the Company.

Note 7 - Investment Income

This Note is not applicable to the Company.

Note 8 - Derivative Instruments

This Note is not applicable to the Company.

Note 9 - Income Taxes

The components of incurred income tax expense and charges to surplus are as follows for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Current tax due	3,771,600	6,300,445
Deferred tax expense on net unrealized gains (losses)	140,000	481,000
Deferred tax expense (recovery) included in income	<u>(35,000)</u>	<u>359,000</u>
Federal income tax incurred	<u><u>3,876,600</u></u>	<u><u>7,140,445</u></u>
Net change in deferred tax recovery	<u><u>105,000</u></u>	<u><u>840,000</u></u>

Federal income taxes consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Current tax due (refundable)	-	(30,000)
Net statutory admitted deferred liability (asset)	<u>828,000</u>	<u>723,000</u>
	<u><u>828,000</u></u>	<u><u>693,000</u></u>

Deferred taxes consist of the following:

Gross deferred tax assets	(142,000)	(107,000)
Gross deferred tax liabilities	<u>970,000</u>	<u>830,000</u>
Net admitted deferred tax assets	<u><u>828,000</u></u>	<u><u>723,000</u></u>

Changes in the main components of deferred tax assets / liabilities are as follows:

<u>DTAs</u>	<u>2007</u>	<u>2006</u>	<u>Difference</u>
<u>DTAs</u>			
Claims reserves	<u>(142,000)</u>	<u>(107,000)</u>	<u>(35,000)</u>
Total	(142,000)	(107,000)	(35,000)
<u>DTLs</u>			
Investments	<u>970,000</u>	<u>830,000</u>	<u>140,000</u>
Total	<u>970,000</u>	<u>830,000</u>	<u>140,000</u>
Net Admitted deferred tax asset	<u><u>828,000</u></u>	<u><u>723,000</u></u>	<u><u>105,000</u></u>

Notes to Financial Statement

A reconciliation of statutory to tax income and the related tax effect is as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Pre-tax statutory income	16,374,145	5,730,951	18,298,217	6,386,078
Reserve discount	99,115	34,690	(37,491)	(13,084)
Depreciation and amortization	-	-	42,864	14,960
Accrued pto	-	-	(175,078)	(61,102)
Accrued payroll	-	-	(940,000)	(328,060)
Tax exempt interest	(199,164)	(69,707)	(117,000)	(40,833)
Taxable income from passthroughs	680,000	238,000	800,000	279,200
Other	<u>11,778</u>	<u>4,122</u>	<u>31,750</u>	<u>11,081</u>
Taxable income/tax expense	16,965,874	5,938,056	17,903,262	6,248,238

Differences between application of federal tax rates to pretax book income and recorded income tax expense are due primarily to adjustments to tax accruals from prior periods.

Taxes available for recoupment in the event of future net operating losses:

2005	7,238,278
2006	6,300,000
2007	3,700,000

The Company’s tax return is consolidated with Caidan Enterprises, Inc., its parent company. Federal income tax will be allocated to the Company, as if the Company were filing a separate income tax return. The Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Note 10 - Information Concerning Parent, Subsidiaries, and Affiliates

The Company is a wholly owned subsidiary of a holding company, Caidan Enterprises, Inc., as of December 31, 2003. The Company paid dividends of \$6,035,000 and \$12,784,314 in 2007 and 2006, respectively.

Effective June 1, 2006, the Company contracted with Caidan Management Company, a third party administrator related through common ownership, for administrative services. The Company paid management fees to Caidan Management Company totaling \$24,857,995 and \$12, 031,137 in 2007 and 2006, respectively.

Note 11 - Debt

The Company has no outstanding debt at December 31, 2007.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences, and Other Postretirement Benefit Plans

This Note is not applicable to the Company.

Note 13 - Capital and Surplus, Stockholders’ Dividend Restrictions, and Quasi-Reorganizations

The Company has 100,000 common shares authorized and 1,000 shares issued and outstanding at December 31, 2007. All shares are common stock with a stated value of \$44.70 per share.

Notes to Financial Statement

Subject to other regulatory limitations on capital and surplus and working capital, the Company is limited by statute to paying dividends no greater than 10 percent of annual income without prior approval of the Michigan Office of Financial and Insurance Services.

The portion of unassigned funds (surplus) represented or reduced by changes in non-admitted asset values is \$(36,862) and \$625,000 at December 31, 2007 and 2006, respectively. The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is \$268,701 and \$883,679 at December 31, 2007 and 2006, respectively.

Note 14 - Contingencies

The Company is committed to investment up to \$1,000,000 in a real estate limited partnership, over a four year period. At December 31, 2006 and as of the date of preparation of these footnotes, the Company’s investment totaled approximately \$369,000.

Note 15 - Leases

The Company leases its office space under an operating lease through May 2008. Total rent expense under this lease was approximately \$0 and \$153,000 for 2007 and 2006, respectively. The company also leases office equipment under various noncancelable operating lease agreements that expire through June 2010. Rental expense for office equipment for 2007 and 2006 was approximately \$0 and \$73,000 respectively.

Effective June 1, 2006 the Company assigned its office space lease to its third party administrator, an organization related through common ownership. Lease payments are the responsibility of the third party administrator; however the Company retains responsibility for performance under the leases for the contract period.

Future minimum lease commitments are as follows:

2008	243,497
2009	52,239
2010	4,594

Note 16 - Information About Financial Instruments with Off-balance-sheet Risk and Financial Instruments with Concentrations of Credit Risk

This Note is not applicable to the Company.

Note 17 - Sale, Transfer, and Servicing of Financial Assets and Extinguishments of Liabilities

This Note is not applicable to the Company

Note 18 - Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

This Note is not applicable to the Company.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This Note is not applicable to the Company.

Note 20 – Other Items

At December 31, 2007 and 2006, the Company had admitted assets of \$2,659,435 and \$991,935, respectively, in accounts receivable for amounts due from governmental entities and other healthcare providers. The Company routinely assesses the

Notes to Financial Statement

collectibility of these receivables. At December 31, 2007 and 2006 the Company has determined there are no uncollectible receivables.

Note 21 - Events Subsequent

This note is not applicable to the Company.

Note 22 - Reinsurance

Health Plan of Michigan, Inc. maintains a non-cancelable reinsurance policy with a non-affiliated reinsurer to provide coverage on an annual per member basis after a \$175,000 deductible for eligible services is reached. The maximum lifetime reinsurance coverage payable under the agreement is \$2,000,000 per member. The Company has reported premiums net of reinsurance ceded of \$617,217 and \$668,508 as of December 31, 2007 and 2006, respectively. Losses recovered by the Company totaled approximately \$407,547 and \$137,332 in 2007 and 2006, respectively.

The Company does not have reinsurance assumed, uncollectible reinsurance, or retroactive reinsurance.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

This Note is not applicable to the Company.

Note 24 - Change in Incurred Claims and Claim Adjustment Expenses

An enrolled actuary has determined the estimated reserve for claims incurred but not reported. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has increased by \$565,407 as a result of reestimation of unpaid claims and claim adjustment expenses. This increase/decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 25 – Intercompany Pooling Arrangements

This note is not applicable to the Company.

Note 26– Structured Settlements

This note is not applicable to the Company.

Note 27 – Health Care Receivables

The Company has no Pharmaceutical Rebate Receivables of December 31, 2007, and 2006. .

The Company has no accounts receivable from risk sharing arrangements at December 31, 2007 and 2006.

Note 28 – Participating Policies

This note is not applicable to the company.

Note 29 – Premium Deficiency Reserves

This note is not applicable to the company.

Note 30 – Anticipated Salvage and Subrogation

Loss reserves have not been reduced for any salvage or subrogation. During 2007 and 2006, the Company received subrogation totaling \$403,789 and \$225,611 respectively.

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities				
1.2	U.S. government agency obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies	2,595,168	3.660	2,595,168	3.660
1.22	Issued by U.S. government sponsored agencies				
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations	2,339,211	3.299	2,339,211	3.299
1.43	Revenue and assessment obligations	3,114,908	4.394	3,114,908	4.394
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA				
1.512	Issued or Guaranteed by FNMA and FHLMC	2,104,730	2.969	2,104,730	2.969
1.513	All other				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	209,827	0.296	209,827	0.296
1.523	All other				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	3,423,353	4.829	3,423,353	4.829
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated	545,915	0.770	545,915	0.770
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated				
3.4	Other equity securities:				
3.41	Affiliated				
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
4.6	Mezzanine real estate loans				
5.	Real estate investments:				
5.1	Property occupied by company				
5.2	Property held for production of income (including \$.....0 of property acquired in satisfaction of debt)				
5.3	Property held for sale (including \$.....0 property acquired in satisfaction of debt)				
6.	Contract loans				
7.	Receivables for securities				
8.	Cash, cash equivalents and short-term investments	49,457,219	69.759	49,457,219	69.759
9.	Other invested assets	7,106,802	10.024	7,106,802	10.024
10.	Total invested assets	70,897,133	100.000	70,897,133	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
- 1.3 State Regulating?

Michigan
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

10/03/2005
- 3.4 By what department or departments?

State of Michigan Office of Financial and Insurance Services
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

0.000%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Plante & Moran, PLLC 1111 Michigan Avenue East Lansing, MI 48823
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Larry Pfannerstill, Milliman USA 15800 Bluemound Rd. Suite 400 Brookfield, WI 53005-6069; Actuary/consultant with an actuarial firm
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved

0
- 11.13 Total book/adjusted carrying value

\$ 0
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.

Yes[X] No[]
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?

Yes[] No[X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes[] No[X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[X] No[]
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes[X] No[]

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes[] No[X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$ 0

18.12 To stockholders not officers

\$ 0

18.13 Trustees, supreme or grand (Fraternal only)

\$ 0

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$ 0

18.22 To stockholders not officers

\$ 0

18.23 Trustees, supreme or grand (Fraternal only)

\$ 0

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$ 0

19.22 Borrowed from others

\$ 0

19.23 Leased from others

\$ 0

19.24 Other

\$ 0

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$ 0

20.22 Amount paid as expenses

\$ 0

20.23 Other amounts paid

\$ 0

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[] No[X]

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 0
- INVESTMENT
- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date?

Yes[X] No[]

22.2 If no, give full and complete information, relating thereto:

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1).

Yes[] No[X]

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21 Loaned to others

\$ 0

23.22 Subject to repurchase agreements

\$ 0

23.23 Subject to reverse repurchase agreements

\$ 0

23.24 Subject to dollar repurchase agreements

\$ 0

23.25 Subject to reverse dollar repurchase agreements

\$ 0

23.26 Pledged as collateral

\$ 0

23.27 Placed under option agreements

\$ 0

23.28 Letter stock or securities restricted as to sale

\$ 0

23.29 On deposit with state or other regulatory body

\$ 0

23.291 Other

\$ 0

23.3 For category (23.28) provide the following:
- | 1 | 2 | 3 |
|-----------------------|-------------|--------|
| Nature of Restriction | Description | Amount |
| | | |
- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[] No[X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[] N/A[X]

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[] No[X]

25.2 If yes, state the amount thereof at December 31 of the current year.

\$ 0

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- 27.1

GENERAL INTERROGATORIES (Continued)

1 Name of Custodian(s)	2 Custodian's Address
Northern Trust	50 South LaSalle Street Chicago, IL 60675
LaSalle Bank N.A.	2600 W. Big Beaver, MO900-150, Troy, MI 48084

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes[] No[X]
26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

26.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
123286	Roble Asset Management	5700 Corporate Drive, Pittsburgh,PA 15237
104751	Zazove Associates, LLC	940 Southwood Blvd, Ste 200, Incline Village, NV 89451

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[] No[X]
27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 Total

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

28. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	23,066,189	22,944,212	(121,977)
28.2 Preferred stocks	545,914	555,793	9,879
28.3 Totals	23,612,103	23,500,005	(112,098)

28.4 Describe the sources of methods utilized in determining the fair values
Month end market analysis/valuation

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]
29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$..... 65,816
30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

GENERAL INTERROGATORIES (Continued)

1 Name	2 Amount Paid
Michigan Association of Health Plans .....	..... 56,000

31.1 Amount of payments for legal expenses, if any? \$. 0
31.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$. 28,800
32.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
Karoub Associates .....	..... 28,800

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]

1.2 If yes, indicate premium earned on U.S. business only:

\$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31 Reason for excluding:

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies - Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

..... 0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

..... 0

1.7 Group policies - Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

..... 0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

..... 0

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator .....	..... 330,156,070	..... 217,478,244
2.2	Premium Denominator .....	..... 330,156,070	..... 217,478,244
2.3	Premium Ratio (2.1 / 2.2) .....	..... 1.000	..... 1.000
2.4	Reserve Numerator .....	..... 32,313,988	..... 18,289,018
2.5	Reserve Denominator .....	..... 32,313,988	..... 18,289,019
2.6	Reserve Ratio (2.4 / 2.5) .....	..... 1.000	..... 1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes[X] No[]

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive Medical

\$ 232,500

5.32 Medical Only

\$ 0

5.33 Medicare Supplement

\$ 0

5.34 Dental

\$ 0

5.35 Other Limited Benefit Plan

\$ 0

5.36 Other

\$ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Hold harmless provisions, Insolvency coverage under reinsurance policy and State Mandated Trust Fund

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes[X] No[]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

..... 5,917

8.2 Number of providers at end of reporting year

..... 6,581

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[] No[X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

..... 0

9.22 Business with rate guarantees over 36 months

..... 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$ 4,204,956

10.22 Amount actually paid for year bonuses

\$ 2,778,915

10.23 Maximum amount payable withholds

\$ 653,302

10.24 Amount actually paid for year withholds

\$ 259,647

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes[] No[X]

11.13 An Individual Practice Association (IPA), or,

Yes[] No[X]

11.14 A Mixed Model (combination of above)?

Yes[] No[X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[]

11.3 If yes, show the name of the state requiring such net worth.

Michigan

11.4 If yes, show the amount required.

\$ 20,655,876

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[] No[X]

11.6 If the amount is calculated, show the calculation.

RBC 200% of Authorized Control Level

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Allegan, MI
Barry, MI
Berrien, MI
Branch, MI
Calhoun, MI
Cass, MI
Clinton, MI
Crawford, MI

GENERAL INTERROGATORIES (Continued)

1
Name of Service Area
Eaton, MI
Genesee, MI
Hillsdale, MI
Huron, MI
Jackson, MI
Kalamazoo, MI
Kent, MI
Lake, MI
Lenawee, MI
Livingston, MI
Macomb, MI
Manistee, MI
Mason, MI
Mecosta, MI
Monroe, MI
Montcalm, MI
Muskegon, MI
Newaygo, MI
Oakland, MI
Oceana, MI
Ogemaw, MI
Osceola, MI
Oscoda, MI
Otsego, MI
Ottawa, MI
Roscommon, MI
Shiawassee, MI
St. Clair, MI
St. Joseph, MI
Sanilac, MI
Tuscola, MI
Van Buren, MI
Wayne, MI

FIVE-YEAR HISTORICAL DATA

	1 2007	2 2006	3 2005	4 2004	5 2003
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	73,679,770	54,151,793	51,738,742	39,170,730	30,583,712
2. Total liabilities (Page 3, Line 22)	36,411,749	23,708,271	21,658,358	18,722,697	15,579,879
3. Statutory surplus	20,655,876	20,472,581	18,012,744	14,314,185	9,434,840
4. Total capital and surplus (Page 3, Line 31)	37,268,021	30,443,522	30,080,384	20,448,035	15,003,834
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	310,824,251	204,725,815	180,127,438	143,141,850	94,348,396
6. Total medical and hospital expenses (Line 18)	273,737,981	170,353,081	147,176,468	119,792,963	73,299,117
7. Claims adjustment expenses (Line 20)	1,088,961	381,623	810,995	934,625	824,833
8. Total administrative expenses (Line 21)	24,689,952	17,786,161	13,358,533	12,823,777	7,926,421
9. Net underwriting gain (loss) (Line 24)	11,307,357	16,204,950	18,781,442	9,590,485	12,298,025
10. Net investment gain (loss) (Line 27)	5,066,787	2,093,273	1,212,505	482,279	184,044
11. Total other income (Lines 28 plus 29)		(6)	44,462	17,762	609
12. Net income or (loss) (Line 32)	12,602,543	11,997,772	12,953,446	6,819,526	7,916,596
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	22,281,054	13,778,956	16,753,435	10,119,592	14,226,546
RISK-BASED CAPITAL ANALYSIS					
14. Total adjusted capital	37,268,021	30,443,522	30,080,384	20,448,035	15,003,834
15. Authorized control level risk-based capital	10,327,938	7,351,678	6,431,328	5,317,239	3,225,169
ENROLLMENT (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	133,250	119,149	100,349	87,325	68,568
17. Total members months (Column 6, Line 7)	1,545,122	1,289,976	1,140,246	980,917	692,288
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	82.9	78.3	76.5	79.0	75.0
20. Cost containment expenses					X X X
21. Other claims adjustment expenses	0.3	0.2	0.4	0.6	
22. Total underwriting deductions (Line 23)	90.7	86.7	83.9	88.3	83.8
23. Total underwriting gain (loss) (Line 24)	3	7	10	6	13
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	18,854,426	15,304,676	13,374,366	13,155,757	6,717,970
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	18,289,019	18,164,975	15,235,065	11,585,133	8,673,014
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 53, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 7)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31					

SCHEDULE D - SUMMARY BY COUNTRY
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	4,699,898	4,779,289	4,912,914	4,720,636
	2.	Canada				
	3.	Other Countries				
	4.	Totals	4,699,898	4,779,289	4,912,914	4,720,636
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States	2,339,211	2,360,760	2,444,440	2,200,000
	10.	Canada				
	11.	Other Countries				
	12.	Totals	2,339,211	2,360,760	2,444,440	2,200,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States	3,114,909	3,152,992	3,187,769	2,900,000
	14.	Canada				
	15.	Other Countries				
	16.	Totals	3,114,909	3,152,992	3,187,769	2,900,000
Public Utilities (unaffiliated)	17.	United States	188,925	186,910	188,863	200,000
	18.	Canada				
	19.	Other Countries				
	20.	Totals	188,925	186,910	188,863	200,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	3,444,255	3,465,671	3,448,802	3,511,750
	22.	Canada				
	23.	Other Countries				
	24.	Totals	3,444,255	3,465,671	3,448,802	3,511,750
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	13,787,198	13,945,622	14,182,788	13,532,386
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States	244,096	244,096	340,003	
	32.	Canada				
	33.	Other Countries				
	34.	Totals	244,096	244,096	340,003	
Industrial and Miscellaneous (unaffiliated)	35.	United States	301,818	311,697	343,001	
	36.	Canada				
	37.	Other Countries				
	38.	Totals	301,818	311,697	343,001	
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks	545,914	555,793	683,004	
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States				
	46.	Canada				
	47.	Other Countries				
	48.	Totals				
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks				
	55.	Total Stocks	545,914	555,793	683,004	
	56.	Total Bonds and Stocks	14,333,112	14,501,415	14,865,792	

SCHEDULE D - Verification Between Years
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	12,794,415	7. Amortization of premium.....	
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	4,580,062	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....		8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Column 15 - 17, Part 2, Section 1....	(129,781)	8.4 Column 15, Part 4.....	
4.3 Column 15, Part 2, Section 2.....			
4.4 Column 11 - 13, Part 4.....	(17,779)		
5. Total gain (loss), Column 19, Part 4.....	177,678	9. Book/adjusted carrying value at end of current period.....	14,332,083
6. Deduct consideration for bonds and stocks disposed of		10. Total valuation allowance.....	
Column 7, Part 4.....	3,072,512	11. Subtotal (Lines 9 plus 10).....	14,332,083
		12. Total nonadmitted assets.....	
		13. Statement value of bonds and stocks, current period.....	14,332,083

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
ALLOCATED BY STATES AND TERRITORIES

		1 Is Insurer Licensed (Yes or No)	Direct Business Only						
			2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit - Type Contracts
State, Etc.									
1.	Alabama (AL)	No							
2.	Alaska (AK)	No							
3.	Arizona (AZ)	No							
4.	Arkansas (AR)	No							
5.	California (CA)	No							
6.	Colorado (CO)	No							
7.	Connecticut (CT)	No							
8.	Delaware (DE)	No							
9.	District of Columbia (DC)	No							
10.	Florida (FL)	No							
11.	Georgia (GA)	No							
12.	Hawaii (HI)	No							
13.	Idaho (ID)	No							
14.	Illinois (IL)	No							
15.	Indiana (IN)	No							
16.	Iowa (IA)	No							
17.	Kansas (KS)	No							
18.	Kentucky (KY)	No							
19.	Louisiana (LA)	No							
20.	Maine (ME)	No							
21.	Maryland (MD)	No							
22.	Massachusetts (MA)	No							
23.	Michigan (MI)	Yes			330,773,287			330,773,287	
24.	Minnesota (MN)	No							
25.	Mississippi (MS)	No							
26.	Missouri (MO)	No							
27.	Montana (MT)	No							
28.	Nebraska (NE)	No							
29.	Nevada (NV)	No							
30.	New Hampshire (NH)	No							
31.	New Jersey (NJ)	No							
32.	New Mexico (NM)	No							
33.	New York (NY)	No							
34.	North Carolina (NC)	No							
35.	North Dakota (ND)	No							
36.	Ohio (OH)	No							
37.	Oklahoma (OK)	No							
38.	Oregon (OR)	No							
39.	Pennsylvania (PA)	No							
40.	Rhode Island (RI)	No							
41.	South Carolina (SC)	No							
42.	South Dakota (SD)	No							
43.	Tennessee (TN)	No							
44.	Texas (TX)	No							
45.	Utah (UT)	No							
46.	Vermont (VT)	No							
47.	Virginia (VA)	No							
48.	Washington (WA)	No							
49.	West Virginia (WV)	No							
50.	Wisconsin (WI)	No							
51.	Wyoming (WY)	No							
52.	American Samoa (AS)	No							
53.	Guam (GU)	No							
54.	Puerto Rico (PR)	No							
55.	U.S. Virgin Islands (VI)	No							
56.	Northern Marianas Islands (MP)	No							
57.	Canada (CN)	No							
58.	Aggregate other alien (OT)	X X X							
59.	Subtotal	X X X			330,773,287			330,773,287	
60.	Reporting entity contributions for Employee Benefit Plans	X X X							
61.	TOTAL (Direct Business)	(a) ... 1			330,773,287			330,773,287	
DETAILS OF WRITE-INS									
5801.	.....	X X X							
5802.	.....	X X X							
5803.	.....	X X X							
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X							

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Caidan Enterprises, Inc. (Federal Employer Identification # 52-2422207)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2007:

D. Cotton, M.D.	32.4%
S. Cotton	31.6%
J. Cotton	10% - Non Voting Stock
S. Cotton	10% - Non Voting Stock
M. Cotton	10% - Non Voting Stock
T. Lauzon	6%
	100%

Health Plan of Michigan, Inc. (MI; NAIC # 52563; Federal Employer Identification # 38-3253977)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2007: Caidan Enterprises, Inc. 100%

Meridian Health Plan, Inc. (DE, Federal Employer Identification # 20-5822334)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2007: Caidan Enterprises, Inc. 100%

Caidan Management Company, Inc. (MI, Federal Employer Identification # 36-4559356)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2007: Caidan Enterprises, Inc. 100%

SCHEDULE Y - INFORMATION CONCERNING ACTI
MEMBERS OF A HOLDING COMPANY GROU
PART 1 - ORGANIZATIONAL CHART

Meridian Health Plan, Inc. (IL, Federal Employer Identification #20-3209671)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2007: Caidan Enterprises, Inc. 100%

Health Management, Inc. (common ownership with Health Plan of Michigan, Inc. majority stockholder)

(Federal Employer Identification # 38-3360283)

Shareholders at December 31, 2007: D. Cotton, M.D. 100%

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